

PUBLIC DISCLOSURE

July 12, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Oxford Bank & Trust
09260**

**1100 West Lake Street
Addison, Illinois 60101**

Federal Deposit Insurance Corporation

**500 West Monroe, Suite 3300
Chicago, Illinois 60661**

NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Oxford Bank & Trust, Addison, Illinois** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **July 12, 1999**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

Oxford Bank & Trust exhibits a satisfactory record of helping to meet the credit needs of the assessment area. The net loan-to-deposit ratio has averaged 67 percent for the 10 quarters since the previous evaluation. Although the ratio lags the average loan-to-deposit ratios of the similarly situated lenders, the bank has experienced steady loan growth for each quarter during the past year, and is among the top three similarly situated lenders in loan growth for the same period. A majority of the commercial loans are extended within the assessment area. Lending to borrowers of different sizes and to geographies of different income levels is reasonable. No written CRA-related complaints have been received.

DESCRIPTION OF INSTITUTION

Oxford Bank & Trust is a full service commercial bank with its main office located in the Village of Addison, Illinois. The bank operates two branch offices. One branch is located two miles east of the main facility in the Village of Addison while the newest branch (opened in November 1998) is located in Naperville, Illinois. The Village of Addison is situated in the northeast portion of DuPage County and is approximately 20 miles west of downtown Chicago. Naperville is located in the southwestern part of DuPage County, approximately 27 miles southwest of downtown Chicago. The Village of Addison is home to the largest industrial park in DuPage County and the fourth largest industrial park in the State of Illinois. Naperville is home to 10 of the top 50 employers (by number of employees) in DuPage County and is, according to management, the eleventh fastest growing city in the United States.

The bank offers several electronic banking services for customers. Oxford Bank & Trust operates five automated teller machines, three of which, that accept deposits, are located at the bank's three offices. The other two are cash-dispensing machines, one of which is located at the new movie theater on West Lake Street near the bank's main office and the other is in the City of Chicago in a convenience store. The bank also offers PC Banking and an Internet website at <http://www.oxford-bank.com>. Additionally, eight computer kiosks are maintained at the Naperville branch for customers to learn about different aspects of banking (topics include deposits, loans, trust accounts, business loans, and investments). Additionally, the bank offers telephone banking for customers to obtain information about their deposit and loan accounts, transfer money, and obtain rate information.

Oxford Bank & Trust is wholly owned by Oxford Financial Corporation, a one-bank holding company. The bank offers a variety of products and services to meet the deposit and credit needs of its community. The bank provides access to residential loans through a partnership (known as Oxford Bank Mortgage) with another mortgage lender, allowing customers to choose from over 200 mortgage loan programs/products. The bank's consumer lending department also provides student loans, credit cards, and loans to purchase manufactured homes and used automobiles. Additionally, the bank is active in originating Small Business Administration (SBA) loans. The bank was ranked ninth in the six-county (Chicago) area, by dollar volume of SBA loans extended, and exhibited the fourth largest increase in dollar amount of SBA loans, according to *Crain's Chicago Business* list originally published April 7, 1997. Since the last evaluation, the bank has originated nine SBA loans totaling \$2,879,000 using three different SBA programs.

According to the Report of Condition for March 31, 1999, the bank had total assets of \$229,695,000, net loans and leases of \$128,835,000, and total deposits of \$201,644,000. Commercial loans are the bank's main lending focus and represent the largest portion of the loan portfolio, at 69 percent of the total loan volume. Other loan products include consumer loans (21 percent), residential loans (9 percent), and government loans and various leases (1 percent). No legal impediments appear to exist which prohibit the bank from helping to meet the credit needs of the assessment area. However, management officials stated that some construction and

development projects, especially residential subdivision development projects in the Naperville area, require financing in excess of the bank's legal lending limit.

DESCRIPTION OF OXFORD BANK & TRUST'S ASSESSMENT AREA

The Community Reinvestment Act requires financial institutions to identify one or more "assessment areas" within which the appropriate regulatory agency will evaluate the bank's CRA performance. Assessment areas must consist of one or more "block numbering areas (BNAs)" or "census tracts (CTs)", which are statistical subdivisions of a county. Census tracts are primarily used in metropolitan areas, while BNAs are used in non-metropolitan locations.

Each BNA or CT is also designated as low, moderate, middle, or upper income based on the following definitions in relation to the 1990 Census Bureau metropolitan median family income figure of \$42,758 for the Chicago metropolitan statistical area (MSA).

<i>Low-income -</i>	<i>Income of less than 50 percent of the area median family income (MFI)</i>
<i>Moderate-income -</i>	<i>Income of at least 50 percent and less than 80 percent of the area MFI</i>
<i>Middle-income -</i>	<i>Income of at least 80 percent and less than 120 percent of the area MFI</i>
<i>Upper-income -</i>	<i>Income of at least 120 percent or more of the area MFI</i>

The bank's assessment area consists of 231 census tracts within the Chicago Metropolitan Statistical Area (MSA) 1600 and remains the same as at the last evaluation. The assessment area is essentially all of DuPage County and Northwest Cook County, and is primarily urban. Consistent with the requirements of the regulation, this assessment area is composed of whole geographies and includes the census tracts in which the bank has offices and deposit-taking automated teller machines.

The estimated population of the assessment area is 1,326,568 according to the 1990 U.S. Census, or approximately 18 percent of the total population of the Chicago MSA. There are 479,028 households in the assessment area, of which 355,942 are families. Based on 1990 census data, the assessment area is composed of 5 low-income census tracts, 6 moderate-income census tracts, 110 middle-income census tracts, and 110 upper-income census tracts. The low- and moderate-income census tracts in the assessment area are located on the outer edge of the assessment area (none are in DuPage County), furthest away from the bank's offices. Census data reveals that only 35 people live in the low-income tracts, and further investigation shows that these tracts primarily consist of a forest preserve and parks. Four of the low-income tracts are extremely small pieces of land on the Cook County line. The moderate-income census tracts contain portions of the Villages of Elk Grove, Franklin Park, Melrose Park, and Maywood. Only two of these moderate-income census tracts border DuPage County, and both are also adjacent to the census tract containing O'Hare International Airport. Less than 2 percent of the population of the assessment area (24,129 individuals and 1,657 families) lives in these low- and moderate-income census tracts, and only 9 percent and 14 percent of the families in the assessment area are characterized as low- and moderate-income. Although a few census tracts just outside the assessment area boundary are low- and moderate-income, the assessment area does not appear to arbitrarily exclude any low- or moderate-income census tracts.

Management officials stated that the population in the Naperville area is growing rapidly, with hundreds of new homes being constructed each year. The 1990 Census classified all of the census tracts within Naperville as upper-income. Additionally, management officials stated that the daytime population of the Village of Addison doubles, to about 60,000, because of employees coming to work in the industrial park.

According to information compiled by Dun and Bradstreet in July 1998, there are approximately 46,000 businesses located in the assessment area. The industry composition of these businesses are: services (40 percent), retail trade (13 percent), wholesale trade (11 percent), manufacturing (11 percent), construction (11 percent), financial, insurance, and real estate (7 percent), transportation, communication, and utilities (5 percent), other (2 percent). The assessment area has a much higher concentration of businesses in manufacturing, wholesale trade, and transportation, communications, and utilities than does the State of Illinois as a whole. In addition, the assessment area maintains a healthy balance of new and mature businesses with 29 percent of establishments maintaining their current ownership structure for less than five years, while 14 percent have maintained their ownership for 25 or more years. Overall, 81 percent of the businesses in the area reported annual sales of under \$1 million. The assessment area has a much higher concentration of businesses with annual sales greater than \$500,000 than does the State of Illinois as a whole.

The top 50 employers in DuPage County employ more than 600 people each, with the largest employing at least 5,000. Ten of these employers are located in Naperville and none are located in Addison. The DuPage County unemployment rate of 2.5 percent for the fourth quarter 1998 is at the lowest level since 1996, and is well below the unemployment rates of 4.1 percent for the State of Illinois and the United States. All of these unemployment rates are considerably lower than at the previous evaluation. A community member stated that the economy of DuPage County has been good, while the residential growth in Addison has been steady over the past three years. The community member said that homes being constructed in the Addison area are higher-end, with the cost of construction ranking as the fifth highest in the county. During 1997 and 1998, DuPage County had the third highest number of housing permits issued in the State of Illinois, behind Cook and Will Counties. The community member also stated that Addison is becoming more diverse, and is not considered as much of a “blue collar” community as in the past.

There is significant competition for deposits and loans in the assessment area, and in the Chicago MSA. Numerous banks and branch offices, as well as non-banking entities, are competitors. Some identified competitors with branches in the Village of Addison include St. Paul Federal Bank for Savings, First Oak Brook Bank, and Harris Bank.

Community Development Lending

Oxford Bank & Trust has also helped to improve the community by providing loans within its assessment area for multifamily housing, developing areas for affordable housing, and re-developing an older part of the Village of Addison to stabilize a moderate-income block group.

Since the last evaluation, the bank has extended three loans to purchase multifamily dwellings (5 or more residential units) totaling \$1,055,000. These loans involve a total of 32 residential units.

The bank also financed the re-development of an older part of Addison, which is adjacent to a moderate-income block group and near the bank's Addison branch office. The city declared the area a tax increment financing (TIF) district and the old structure was torn down. The development included constructing a strip mall and 46 townhomes. The credit extensions include a \$3 million revolving line of credit (with a projected \$6.6 million of aggregate loan disbursements) and a \$1.7 million real estate loan. The project helps to stabilize the adjacent moderate-income block group by attracting residents and providing employment.

Oxford Bank & Trust also financed the development and construction of 95 townhomes in a moderate-income block group in the Village of Addison. The first phase of townhomes constructed were affordable for low- and moderate-income families, and the second phase included the construction of single family residences, and were affordable for moderate-income families. The bank extended a \$3 million revolving line of credit for this project, and made a total of \$7.4 million in total loan disbursements for this project.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Oxford Bank & Trust's major loan product is commercial loans, and management officials stated that commercial lending is the bank's primary focus. Commercial loans represent the largest segment of the loan portfolio, aggregating 69 percent of the outstanding dollar volume of loans as of March 31, 1999. Therefore, the CRA evaluation of the bank's lending performance is based upon a review of commercial loans.

SAMPLING PROCEDURES

A representative sample of the bank's commercial loans was taken from the loans extended during the past 12 months (June 30, 1998 through June 30, 1999). A full year universe was utilized to reduce the effect of seasonal fluctuations. During that time, Oxford Bank & Trust originated 114 commercial loans with original commitments of \$49,466,000. Statistical sampling procedures that provide a 90 percent confidence level, with a plus or minus 15 percent level of precision, were used resulting in a sample of 34 loans with original commitments of \$17,178,000.

Lending to Businesses of Different Sizes

The bank reasonably extends loans to businesses of all sizes within the assessment area. Only the loans in the sample that were extended inside the assessment area are included in this analysis. The following table reveals that the bank extends loans to businesses of all sizes, particularly to businesses with gross annual revenues of less than \$1 million. Gross revenue is

used as a proxy for the size of the business and was obtained from the most recent fiscal year-end income statement prepared by or for the borrower.

Annual Gross Revenue Range	Number	Percentage	Dollar Volume (000s)	Percentage
\$0 to \$100,000	2	11%	\$ 115	2%
\$100,001 to \$250,000	3	16%	\$ 702	12%
\$250,001 to \$500,000	3	16%	\$1,926	33%
\$500,001 to \$750,000	2	11%	\$ 175	3%
\$750,001 to \$1,000,000	4	21%	\$ 686	12%
Over \$1,000,000	5	25%	\$2,237	38%
Total	19	100%	\$5,841	100%

Information compiled by Dun and Bradstreet in July 1998 estimates the composition of the businesses in the assessment area by annual sales volume. These estimates are included in the following table, along with the estimates for the businesses in the State. This demographic information is not intended to be used as a direct comparison, but is provided to show the general composition of businesses in the assessment area. The table shows that the businesses in the assessment area are generally larger than in other parts of the State. The bank's lending to businesses of different sizes is reasonable given the available demographic information.

Annual Sales Volume Range	Assessment Area Percent	State of Illinois Percent
\$0 to \$100,000	23%	32%
\$100,001 to \$250,000	31%	32%
\$250,001 to \$500,000	16%	15%
\$500,001 to \$1,000,000	11%	8%
Over \$1,000,000	19%	13%
Total	100%	100%

Source: Dun and Bradstreet

The following table indicates the bank is willing to extend all sizes of loans to commercial borrowers, and particularly provide small business loans. A small business loan, for CRA purposes, is defined as a loan with an original amount of less than \$1,000,000. Ninety-five percent of the loans extended within the assessment area are small business loans, while 58 percent were originated for amounts of \$250,000 or less.

Loan Amount	Number	Percentage	Dollar Volume (000s)	Percentage
\$0 to \$100,000	8	42%	\$331	6%
\$100,001 to \$250,000	3	16%	\$460	8%
\$250,001 to \$500,000	4	21%	\$1,445	25%
\$500,001 to \$750,000	2	11%	\$1,002	17%
\$750,001 to \$1,000,000	1	5%	\$753	13%
Over \$1,000,000	1	5%	\$1,850	31%
Total	19	100%	\$5,841	100%

Geographic Distribution of Loans

The geographic distribution of loans is reasonable. Only the loans in the sample that were extended inside the assessment area are included in this analysis. The bank's lending within census tracts of different income levels is consistent with the composition of the assessment area, including the businesses located in each type of geography.

Information gathered by Dun and Bradstreet in July 1998 reveals the percent of businesses in each type of geography within the assessment area: 0 percent in low-income tracts, 3 percent in moderate-income tracts, 50 percent in middle-income tracts, and 47 percent in upper-income tracts. The bank's lending to businesses in the assessment area is commensurate with this demographic information.

Tract Income Level	Number of Tracts	Percentage	Number of Loans	Percentage	Dollar Volume (000s)	Percentage
Low	5	2%	0	0%	\$0	0%
Moderate	6	2%	0	0%	\$0	0%
Middle	110	48%	10	53%	\$2,677	46%
Upper	110	48%	9	47%	\$3,164	54%
Total	231	100%	19	100%	\$5,841	100%

The bank's main office and the Naperville branch are located in an upper-income census tract, while the Addison branch is located in a middle-income census tract. The commercial loans within the assessment area are concentrated near the bank's two Addison offices, with a few in the vicinity of the new Naperville branch.

Although not in the sample, management officials estimated that the bank has extended eight commercial loans totaling \$5,135,000 within moderate-income census tracts within the assessment area since the last evaluation.

Lending Inside the Assessment Area

A majority of the bank's loans are extended inside the assessment area, based on a sample of 34 commercial loans. Specifically, 56 percent of the number of loans in the sample were extended inside the assessment area. However, only 34 percent of the dollar volume of loans in the sample were extended within the assessment area. The sample included two construction and development loans totaling \$7,300,000, both of which were extended outside the assessment area and comprise 42 percent of the dollar volume of loans sampled. If these loans were excluded from the sample, 59 percent (by number and dollar volume) of the lending activity is inside the assessment area.

A recent CRA review conducted by a consulting firm for the bank revealed similar results. The analysis reviewed 17 months of lending activity between January 1, 1998 and May 31, 1999. The analysis included commercial, consumer, and HMDA-reportable loans and showed that half of all loans extended during that time frame were inside the assessment area. HMDA loans (mainly mobile home loans and home improvement loans) exhibited the highest concentration of lending activity within the assessment area, at 64 percent for the 17-month period.

Most of the construction and development loans originated during the past year have been extended for projects located outside of the assessment area. Management officials stated that the Addison area is mostly "built out" with smaller projects filling in the vacant areas (requiring smaller loans) or tearing down existing homes and subdividing the lot to build a larger number of homes. Also, most of the development projects in the Naperville area require financing amounts well above the bank's legal lending limit.

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio reflects a reasonable responsiveness to assessment area credit needs. The net loan-to-deposit ratio has averaged 67 percent for the 10 quarters (December 31, 1996 through March 31, 1999) since the last CRA evaluation dated November 25, 1996. The net loan-to-deposit ratio trended upward, reaching a peak of 73 percent on March 31, 1998 and fell to its low point of 63 percent on June 30, 1998. The significant decline was caused when the bank sold a subsidiary that had borrowed approximately \$18 million from the bank. When the subsidiary was sold, the outstanding loan balance was repaid. Since the sale of the subsidiary, however, the loan volume has steadily increased, reflecting a 9 percent increase for the last four quarters. This growth significantly exceeds the loan growth experienced by three of the similarly situated lenders for the same period and is only slightly less than the growth experienced by Bloomingdale Bank & Trust. The only similar institution with a significantly higher loan growth rate is Hinsbrook Bank & Trust, which posted the same average loan-to-deposit ratio as Oxford Bank & Trust.

Oxford Bank & Trust's loan-to-deposit ratio is compared to similarly situated financial institutions located in or near the bank's assessment area. The banks included in the following table are considered similarly-situated because of their proximity to the assessment area and its residents, the similar nature of their business and customers (primarily commercial loan products and customers), similar nature of the area they serve (suburban areas of Chicagoland), and similar resources (total assets) and delivery channels. Oxford Bank & Trust is included in the table for comparison.

Bank and Location *	Number of Branches	County	Total Assets (000s) March 31, 1999	Average Net Loan-to-Deposit Ratio
<i>Oxford Bank & Trust Addison, Illinois</i>	2	<i>DuPage</i>	<i>\$229,695</i>	<i>67%</i>
Bloomington Bank & Trust Bloomington, Illinois	1	DuPage	\$226,475	73%
PlainsBank of Illinois, N.A. DesPlaines, Illinois	3	Cook	\$240,220	71%
Midwest Bank of Hinsdale Hinsdale, Illinois	0	DuPage	\$214,239	65%
Itasca Bank & Trust Itasca, Illinois	0	DuPage	\$269,854	75%
Hinsbrook Bank & Trust Willowbrook, Illinois	2	DuPage	\$182,832	67%

* The institutions are listed in alphabetical order, by location.

As shown in the table above, Oxford Bank & Trust's loan-to-deposit ratio is at the lower end of this tight range of average ratios. If the \$4 million in loan participations sold to other institutions were included, the ratio would be slightly higher. Also, management noted that the loan-to-deposit ratio does not account for the aggregate lending advances made to land developers. The bank loans significant funds for construction and development, primarily in the form of revolving lines of credit. These lines of credit require the developers to complete projects in stages and sell the completed portion of the project (to reduce the development loan) before additional funds will be advanced on the line of credit. Therefore, the outstanding loans, and the loan-to-deposit ratio do not reflect the aggregate amount of funds extended on these commercial revolving lines of credit. For example, in the last three years the bank originated six revolving lines of credit for construction and development within two miles of the main bank or Naperville branch office for \$11 million, however the aggregate amount of loan disbursements on these lines totals \$25 million.

Additionally, most of these similarly situated lenders have a larger residential loan portfolio. Oxford Bank & Trust extends few traditional residential loans, offering those loans primarily through a partnership with a mortgage broker known as Oxford Bank Mortgage. The residential

loans extended by Oxford Bank & Trust consist primarily of loans to purchase or refinance mobile homes and loans for home improvement purposes.

Response to Complaints

No Community Reinvestment Act related complaints have been received since the last evaluation dated November 25, 1996.

Compliance with Anti-Discriminatory Laws and Regulations

No violations of the substantive provisions of the anti-discriminatory laws and regulations were identified during the concurrent Compliance Examination.